

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of a General Investigation to
Examine Issues Surrounding Rate Design
for Distributed Generation Customers.

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Docket No. 16-GIME-403-GIE

REPLY COMMENTS OF MIDWEST ENERGY, INC.

COMES NOW Midwest Energy, Inc. ("Midwest Energy") and, pursuant to the State Corporation Commission of the State of Kansas' ("Commission") February 16, 2017 Order Setting Procedural Schedule, submits its Reply Comments in response to the parties' March 17, 2017 Initial Comments on issues surrounding rate design for distributed generation ("DG") customers. For its Reply Comments, Midwest Energy states as follows:

I. Background

1. On February 16, 2017, the Commission issued its Order Setting Procedural Schedule, which provides that Reply Comments in response to the Initial Comments filed by the parties in this docket on issues surrounding rate design for distributed generation customers are due to be filed on May 5, 2017. Along with the Reply Comments, the Commission directed the parties to provide supporting affidavits, verifying the documents presented, sworn and under oath, subject to Commission questions or discussion. See Order Setting Procedural Schedule, at p. 3; see also Staff Report and Recommendation (Mar. 10, 2016), at p. 7.

2. Pursuant to the Commission's February 16, 2017 Order Setting Procedural Schedule, Midwest Energy submits the following Reply Comments, along with the attached Affidavit of Patrick Parke.

II. Reply Comments

3. To provide some detail of Midwest Energy's experience with DG and DG customers, Midwest Energy currently has 42 DG units connected on its system, 21 of which are

operational. Of the 21 operating DG units, 8 are wind and 13 are solar. Further, 6 units are connected as parallel generators, 13 are net metered, and 2 are under special contract. Of the 13 net metered, 3 are wind and 10 are solar.

4. With regard to establishing an appropriate rate design for DG customers, as an initial premise, Midwest Energy maintains:

(a) All customers should be on a three-part rate, which adds a demand component to the current traditional fixed and variable charge rate structure. A three-part rate is desirable because it sends a better price signal to the utility and its customers, it avoids discriminatory rate treatment among customers in the same rate class, and it promotes cost-based rates.

(b) Rates should be cost based. All rates should be designed to more closely align fixed charges with fixed costs and align variable charges with variable costs. While the phrase “cost causers should be the cost payers” is a customary expression in the utility industry, traditional rate designs overly depend on variable charges. That is, significant fixed costs are collected via a variable charge. This mismatch in cost causation versus cost recovery is not economically efficient. Improper price signals can lead to sub-optimal resource allocation and subsidization.

(c) Because rates should be cost based, externalities should not be considered in DG rate design. Externalities include avoided environmental costs, avoided renewables costs, price mitigation benefits, economic development, health benefits, and grid security, among other societal benefits. Such costs are speculative at best and largely unquantifiable for purposes of rate setting. Midwest Energy believes it best to table consideration of these categories pending future Legislative direction or development of consensus within the industry.

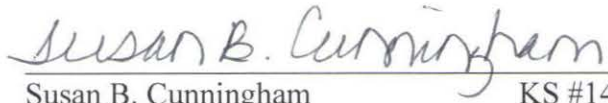
5. Midwest Energy's position is generally consistent with the Initial Comments filed by Commission Staff ("Staff"), Westar Energy, Inc. and Kansas Gas and Electric Company ("Westar"), and Kansas City Power & Light Company ("KCP&L"), with one notable exception: Midwest Energy does not believe there is a need for a separate rate class for DG customers. First, most costs of providing utility service to DG customers are very similar to costs traditionally incurred to serve non-DG customers. Designation as to costs being "fixed" or "variable" would be the same for both groups and should be consistent with long-standing cost of service principles. Next, because DG by definition includes multiple technologies with different generator output characteristics, crafting a DG tariff appropriate for a variety of DG technologies is difficult. Additionally, creating a separate rate class without sufficient justification is problematic in the long term as the utility and the Commission are then faced with the dilemma of phasing out or modifying rate components without burdening other customers. Finally, because existing rate schedules already accommodate a wide range of end users and load shapes, separate rate treatment is neither necessary nor advisable for DG customers.

6. In Staff's March 10, 2016 Report and Recommendation, Staff requested a generic docket be opened to establish rate design policy for DG customers. See Staff Report and Recommendation, at p. 1. In its July 12, 2016 Order Opening General Investigation, the Commission agreed that this general investigation docket is designed to develop policy for DG rate design. See Order Opening General Investigation, at p. 2. Midwest Energy agrees with both Staff and the Commission when they state the purpose of this general investigation is to develop policy for DG rate design. Importantly, Midwest Energy believes this docket should provide guidance to the utilities for developing DG rate design, not result in prescriptive mandates. Ultimately, each utility should be permitted to propose company-specific tariffs based on the

characteristics unique to its own system, but in accordance with the guidance provided by the Commission in this docket.

7. Midwest Energy's point of difference with some of the other parties with regard to its position that a separate rate class is not needed for DG customers highlights the need for flexibility in establishing DG policies. The Commission should recognize that one size does not fit all and refrain from imposing a single solution. Rather, the Commission should encourage and allow experimentation and innovation. If utilities use their most recent cost of service study and Automated Metering Infrastructure ("AMI") data to see how customers are behaving, risk to the utility and its customers is minimized or eliminated.

WHEREFORE, Midwest Energy, Inc. respectfully submits its Reply Comments and attached Affidavit of Patrick Parke.



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VERIFICATION
(K.S.A. 53-601)

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

I, Susan B. Cunningham, being of lawful age, hereby state that I have caused the foregoing Reply Comments of Midwest Energy, Inc. to be prepared, that I have read and reviewed the Reply Comments, and that the contents thereof are true and correct to the best of my information, knowledge and belief.

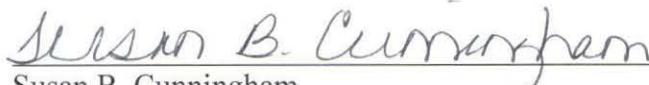


Susan B. Cunningham

Executed on the 5th day of May, 2017

CERTIFICATE OF SERVICE

A true and correct copy of the above and foregoing Reply Comments of Midwest Energy, Inc. was electronically served on this 5th day of May, 2017, to the persons appearing on the Commission's service as last modified on April 27, 2017.



Susan B. Cunningham

AFFIDAVIT OF PATRICK PARKE

STATE OF KANSAS)
) ss.
COUNTY OF ELLIS)

Patrick Parke, being first duly sworn on his oath, states:

1. I am Vice President, Customer Service, for Midwest Energy, Inc. ("Midwest Energy"), 1330 Canterbury Road, P.O. Box 898, Hays, Kansas, 67601.
2. Pursuant to the Commission's February 16, 2017 Order Setting Procedural Schedule, Reply Comments in response to the Initial Comments filed by the parties in this docket on issues surrounding rate design for distributed generation customers are due to be filed on May 5, 2017. Along with the Reply Comments, the Commission directed the parties to provide supporting affidavits, verifying the documents presented, sworn and under oath, subject to Commission questions or discussion.
3. In my capacity as Vice President for Midwest Energy, I am authorized to verify the Reply Comments of Midwest Energy, Inc. Further, the Reply Comments were prepared by me or under my direct control and supervision.
4. I have knowledge of the matters set forth above, which are true and correct to the best of my information, knowledge, and belief.

Further Affiant sayeth not.



Patrick Parke

Subscribed and sworn before me this 4th day of May, 2017.


Notary Public

My commission expires:

